

OFFICE OF THE INSPECTOR GENERAL

REVISED FY 2000 AND FY 2001 ANNUAL PERFORMANCE PLANS

USDA's Office of the Inspector General (OIG) was the first civilian OIG within the Federal Government, established in 1962. USDA/OIG currently operates under the authority established with the enactment of the Inspector General Act of 1978 (P.L. 95-452) and its 1988 amendment.

SITUATIONS, CONDITIONS, AND NEEDS TO WHICH USDA/OIG RESPONDS

The act requires the Inspector General to independently and objectively:

- ! provide policy direction and conduct, supervise, and coordinate all audits and investigations relating to programs and operations of the Department;
- ! work with the Department's management team to recommend policies that promote economy, efficiency, and effectiveness or that prevent abuse in programs and operations, both within USDA and in non-Federal entities, which receive USDA assistance;
- ! review existing and proposed legislation and regulations and make recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud, waste, and mismanagement;
- ! recommend policies for and conduct, supervise, or coordinate relationships between the Department and other Federal, State, and local Government agencies concerning:
(1) promoting economy; (2) preventing and detecting fraud, waste, and mismanagement; and
(3) identifying and prosecuting people involved in fraud, waste, and mismanagement; and
- ! keep the Secretary of Agriculture and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in departmental programs and operations, recommending corrective action and reporting semiannually as of March 31 and September 30 each year on the progress made in correcting these problems.

AUDIT AND INVESTIGATIVE UNIVERSE

OIG's audit and investigative universe comprises all programs, functions, and organizations for which USDA is responsible. Currently, the Department's agencies administer approximately 300 programs involving thousands of sponsors, contractors, and grantees. The annual program level of over \$86 billion represents the value of benefits provided to the public by USDA. In addition, USDA is responsible for over \$101 billion in loan portfolios and other multi year accounts that fall within our audit universe. USDA's benefits may be in the form of financial assistance through grants; guaranteed or direct loans; cost-sharing; professional services, such as research or technical assistance; or in kind benefits such as commodities.

USDA is involved in food quality and safety issues, food aid and assistance programs, market development activities, rural development initiatives, environmental and biotechnology issues, and multiple export promotion programs.

In FY 1999, OIG issued 146 audit reports and 515 investigative reports. We reached management decisions on 138 audit reports, which depicted findings with questioned and unsupported costs and loans that totaled \$262.5 million.

We also reported \$114.1 million in funds that could be put to better use. Investigations' casework resulted in 502 indictments, 559 convictions, and total monetary results of \$68.2 million.

MISSION

OIG's mission is to conduct and supervise audits and investigations to prevent and detect fraud and to improve the effectiveness of USDA programs by recommending changes that will increase efficiency and reduce wasteful and fraudulent activities.

Goal 1: Promote economy, efficiency, and effectiveness in the administration of USDA programs and operations.

Objectives: (1) Identify the most significant programs or areas for audit and investigation and allocate resources accordingly and (2) devote audit and investigative resources in the areas identified.

Program Activities: OIG Salaries and Expenses

| | FY 1998 Actual | FY 1999 Actual | FY 2000 Estimate | FY 2001 Estimate |
|--|-------------------|-------------------|---------------------|---------------------|
| Funding (in thousands of dollars) | \$23,762 | \$24,514 | \$24,503 | \$26,428 |
| FTE's | 313 | 315 | 315 | 318 |

| PERFORMANCE GOALS AND INDICATORS | FY 1998 Actual | FY 1999 Actual | FY 2000 Target | FY 2001 Target |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Audit and investigate the most significant programs or areas identified in OIG's planning process. Annually assess the planning process to gauge the goal by retroactively comparing what was planned against work that was initiated and completed during the year. Percentage of the number of audits in the Annual Plan for which work was initiated during the year. | 72% 87% | 74% 88% | 70% 85% | 70% 85% |
| Promote economy, efficiency, and effectiveness of USDA programs by recovering costs, putting funds to better use, and avoiding costs. Measure monetary results of audits and investigations to verify that minimum target levels are achieved in terms of questioned or unsupported costs and loans, funds to be put to better use, recoveries, and/or cost avoidances (dollars in millions). | \$250 | \$445 | \$300 | \$350 |

Discussion of Annual Performance Goals: This goal supports all of USDA's Goals and Management Initiative 3, "Create a unified system of information technology management." Areas of ongoing and prospective audit concern include information technology security, data management and sharing, electronic benefits transfer, and acquisitions of hardware and software. In addition, health and safety issues and programs encompassing payments to participants and beneficiaries remain paramount in the audit scheduling hierarchy.

Means and Strategies: The necessary resources include a requested increase of \$1,925,000. This increase will enable OIG to perform more audits and investigations and, therefore, recommend more effective and economical methodologies which, when implemented, will enable agencies to render more services, augment revenues, reduce expenses, safeguard assets, and/or foster the health and safety of the Nation without additional appropriations.

Verification and Validation: Quantitative data will be collected through the use of our automated tracking system, Consolidated Assignments, Personnel Tracking, and Administrative Information Network (CAPTAIN). Monetary results will be reported at the time of management decision in accordance with OIG legislative requirements. The Office of the Chief Financial Officer tracks actual collections. In FY 1999, we were able to exceed our estimate of 70 percent of planned audits actually started and completed during the year and for the percentage of planned audits for which work was initiated (80 percent). Our benchmarks of 60 and 70 percent, respectively, established in FY 1997, continue to appear reasonable. As a result, though our targets for the out years appear understated compared with FY's 1998 and 1999 actual results, in our estimation, they remain valid indicators.

Goal 2: Promote USDA's conformity with the applicable principles, standards, and related requirements by fostering improvements in financial systems and financial reporting, which will enhance the Department's fulfillment of its fiduciary responsibilities.

Objective: Identify system, control, or compliance weaknesses, which preclude the safeguarding and accountability over funds, property, and other assets.

Program Activities: OIG Salaries and Expenses

| | FY 1998 Actual | FY 1999 Actual | FY 2000 Estimate | FY 2001 Estimate |
|--|-------------------|-------------------|---------------------|---------------------|
| Funding (in thousands of dollars) | \$7,916 | \$8,167 | \$8,163 | \$8,805 |
| FTE's | 116 | 116 | 116 | 117 |

| PERFORMANCE GOALS AND INDICATORS | FY 1998 Actual | FY 1999 Actual | FY 2000 Target | FY 2001 Target |
|--|-------------------|-------------------|-------------------|-------------------|
| Foster improvements in financial systems and financial reporting by timely issuing financial statement audits. | | | | |
| Percentage of financial statement audits issued by March 1. | 28% | 100% | 100% | 100% |

| PERFORMANCE GOALS AND INDICATORS | FY 1998 Actual | FY 1999 Actual | FY 2000 Target | FY 2001 Target |
|---|-------------------|-------------------|-------------------|-------------------|
| Reduce noncompliance with the applicable principles, standards, and related requirements in the Department's financial systems and financial reporting. | | | | |
| Monetary results of financial statement adjustments (dollars in billions). | \$9.736 | \$10.54 | \$5.000 | \$2.500 |
| Numbers of recommendations to strengthen financial controls and foster compliance with laws and regulations. | 66 | 49 | 55 | 45 |

Discussion of Annual Performance Goals: This goal supports USDA's Goal 1.3, "Provide access to capital and credit to enhance the ability of rural communities to develop, grow, and invest in projects to expand economic opportunities and improve the quality of life for farm and rural residents." It also supports Management Initiative 4, "Improve financial management and reporting." A legislatively mandated responsibility of OIG is to perform financial statement audits covering all agencies within USDA. We perform these reviews to assess the Department's compliance with the Chief Financial Officers Act and promote conformity with accounting and financial management requirements. The audits assess whether an agency's financial statements fairly present, in all material respects, its financial position and the results of its operations. The performance goals and measures assess OIG's success in timely issuing the financial statement audit reports and our performance in fostering strengthened systems as manifested through fewer adjustments to the financial statements. One of the primary purposes of our audits is to identify areas where financial controls need to be strengthened. Therefore, we are measuring and reporting on the number of recommendations we issue to strengthen financial controls and foster compliance with laws and regulations.

Means and Strategies: The necessary resources include an increase of \$642,000 to enable us to expand upon our examinations and assessments of financial systems and reports to improve and strengthen the Department's capability to manage its operations and fulfill its stewardship responsibility over assets.

Verification and Validation: The number of recommendations to strengthen financial controls and foster compliance had been estimated to be 25 for FY 1998 was based on the results of prior financial statement audit activity. The actual number of recommendations made were 49 in FY 1999 for this measure. We believe the higher number of recommendations stemmed from the Office of Management and Budget's requirement that additional statements have to be issued (Statement of Financing, Statement of Budgetary Resources, and the Statement of Net Cost). We have adjusted our future estimates to compensate accordingly.

Goal 3: Promote program integrity by detecting criminal activity involving USDA programs and personnel.

Objectives: (1) Identify and respond to potential criminal violations impacting the Department, (2) identify potential misuse of USDA funds, and (3) identify instances of serious USDA employee misconduct.

Program Activities: OIG Salaries and Expenses

| | FY 1998 Actual | FY 1999 Actual | FY 2000 Estimate | FY 2001 Estimate |
|--|-------------------|-------------------|---------------------|---------------------|
| Funding (in thousands of dollars) | \$31,450 | \$32,447 | \$32,431 | \$34,981 |
| FTE's | 321 | 322 | 322 | 325 |

| PERFORMANCE GOALS AND INDICATORS | FY 1998 Actual | FY 1999 Actual | FY 2000 Target | FY 2001 Target |
|---|-------------------|-------------------|-------------------|-------------------|
| Investigation of fraud within USDA programs. | | | | |
| Number of fraud reports of investigation issued. | 817 | 515 | 500 | 500 |
| Percentage of total reported fraud investigations resulting in criminal prosecutions. | 44% | 42% | 44% | 44% |
| Percentage of total reported fraud investigations resulting in fines, penalties, recoveries, restitutions, cost avoidances, and other payments. | 54% | 56% | 55% | 55% |
| Investigation of allegations involving the integrity of USDA employees. | | | | |
| Number of employee misconduct reports of investigation. | 55 | 40 | 50 | 50 |
| Percentage of total reported employee misconduct investigations resulting in corrective or disciplinary actions. | 55% | 100% | 60% | 60% |

Discussion of Annual Performance Goals: This goal supports USDA's Goals 2.1, "Reduce hunger by assuring low-income households access to adequate supplies of nutritious food"; 2.2, "Reduce the incidence of food-borne illness and ensure that commercial supplies are safe and wholesome"; and 2.5, "Enhance world food security and assist in the reduction of world hunger." It also supports USDA Management Initiative 1, "Ensure that all customers and employees are treated fairly and equitably, with dignity and respect."

The integrity of America's agricultural infrastructure and the health and safety of domestic and international consumers of U.S. food products are critical, not only to our national economy but our national security. USDA programs and operations with oversight authority for the wholesomeness of U.S. commercial agricultural products are increasingly susceptible to food industry crimes that are profit motivated. Likewise, threats from outside the food industry, such as criminal adulteration and biological contamination of food industry products for extortion or ideological motives, victimize food production until these threats are resolved through law enforcement and health and safety agencies' responses. Through decades of experience conducting agriculture-related criminal investigations, OIG has developed the law enforcement expertise that is vital to an immediate, effective, and efficient response to critical incidents, such as alleged biological contamination of meat products and the willful processing and sale of adulterated meat, poultry, and egg products by corporate members of the food industry. These incidents impact the health and safety of consumers, including children and elderly in day care centers and our armed forces stationed in the United States and abroad. OIG must position its audit and investigative resources to provide a critical incident, emergency law enforcement response to these threats of criminal acts impacting the integrity of U.S. agriculture.

Coincidental with our critical incident emergency response initiative, OIG is committed to an antismuggling campaign to interdict and suppress foreign contraband that is dangerous and often deadly when consumed by the American population and potentially catastrophic to the economic stability of certain U.S. agricultural products. Ongoing criminal investigations target smuggled fruits, vegetables, plants, insects, animals, pesticides, animal drugs, and other commodities that bring high dollars in underground, "black market" commerce. This initiative requires extensive agent resources dedicated to intelligence collection, undercover operations, and foreign law enforcement cooperative efforts for extensive surveillance utilizing high-tech devices and equipment that could cross international boundaries.

OIG continues to conduct criminal investigations and law enforcement operations related to food stamp fraud to ensure the financial benefits of the food stamp program are preserved for the needy and protected from criminal victimization. OIG's Operation Talon has resulted in the arrest of over 5,000 fugitive felons who were illegally receiving USDA food stamps. In fact, these individuals were arrested on warrants for murder, arson, robbery, child molestation, spousal abuse, and various other felony crimes. The savings in taxpayer dollars from removing these criminals from taking USDA food stamp benefits is millions of dollars; however, the impact of removing these felons from the streets of America is far more important than dollars--the impact is the safety and well-being of untold numbers of citizens saved from further victimization by these criminals.

Additionally, OIG continues to focus its investigative efforts in the area of serious employee misconduct. Investigations of employee misconduct have continued to expose payments of bribes and gratuities, as well as embezzlements and conflicts of interest. Employee misconduct negatively affects the Department's programs and operations and can be quite costly to the Government.

Means and Strategies: We will require an increase of \$2,550,000 in FY 2001, as noted in the tables above, to adequately address the performance goal. In this regard, OIG efforts will focus on antismuggling efforts and other law enforcement initiatives to ensure public health and safety for consumers and to protect the Nation's food supply. OIG staffing will be available to investigate allegations and threats to the Department's programs and personnel. With appropriate resources, OIG's ability to respond more quickly to requests for investigation by USDA agencies will provide positive and more timely impact on the Department and its programs, as public health and safety and employee integrity are our highest priorities. Also, OIG will be more proactive in detecting incidents of wrongdoing and investigating criminal acts.

Verification and Validation: Variance analysis throughout the year will be used to determine if we are on target with planned estimates or if we need to redirect resources. All of OIG results are maintained in CAPTAIN, which contains both program and performance data that are updated daily and reviewed semiannually by our regional offices. The statistics are based on written documentation in the OIG case files.

SUMMARY OF RESOURCES FOR FY 2000
(Dollars in Thousand)

| OFFICE OF THE INSPECTOR GENERAL | GOAL 1 | GOAL 2 | GOAL 3 | TOTAL |
|------------------------------------|----------|---------|----------|----------|
| Salaries and Expenses | \$24,503 | \$8,163 | \$32,431 | \$65,097 |
| FTE's | 315 | 116 | 322 | 753 |

SUMMARY OF RESOURCES FOR FY 2001
(Dollars in Thousand)

| OFFICE OF THE INSPECTOR GENERAL | GOAL 1 | GOAL 2 | GOAL 3 | TOTAL |
|------------------------------------|----------|---------|----------|----------|
| Salaries and Expenses | \$26,428 | \$8,805 | \$34,981 | \$70,214 |
| FTE's | 318 | 117 | 325 | 760 |